

The Effect of Financial Distress, Operating Cash Flow, and Earning Response Coefficient on Accounting Conservatism

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Abstract – This study aims to test whether there is an effect of financial distress, Operating Cash Flow (OCF), and Earning Response Coefficient (ERC) on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange in the 2014-2018 period partially or simultaneously. This research is a type of causal-quantitative research. The data analysis method uses Eviews software version 10. The research population is 49 property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018. The research sample was 120 observations covering 24 property and real estate companies listed on the Indonesia Stock Exchange within 5 years. This type of research data is panel data. The results of the study prove that partially financial distress has a significant negative effect on accounting conservatism, Operating Cash Flow has a significant positive effect on accounting conservatism, and the Earning Response Coefficient has no effect on accounting conservatism. Simultaneously, financial distress, Operating Cash Flow, and Earning Response Coefficient have a significant effect on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.

Keywords: financial distress, operating cash flow, earning response coefficient, accounting conservatism

I. INTRODUCTION

1.1. Background of The Problems

The application of the principle of conservatism is a form of caution to prevent uncertainty and bad things that may happen in the future. Conservatism plays an important role in financial reporting even though it is still considered an unreliable and lacking quality principle. This has led to the emergence of various views from researchers. Conservatism tends to be less or even not useful for use in financial reporting. Even though the application of conservatism in companies is not due to certain reasons or problems. The establishment of a company certainly has hopes that its business will continue to benefit and survive for the sake of its business continuity (going concern).

When viewed from the current economic conditions in Indonesia, the property and real estate sectors are experiencing financial instability. The US-China trade war, which had caused global economic turmoil, to some extent affected investment in several property segments. The global economic turmoil affected the premium type property sales segment. For example, apartments and houses worth Rp. 1 billion - Rp. 2 billion also look unnatural because sales are declining

(<https://money.kompas.com>). In this case the property business is experiencing weakness from year to year. This causes promotional spending to increase. This addition results in an increase in promotional costs so that the selling price will also increase. Along with the slowdown, property players are also decreasing due to the intense competition, and the difficulty of getting competent marketers who make people think that the property industry is only for certain groups and it is very difficult to be involved in it. (<https://economy.okezone.com>).

With this slowdown, the property and real estate industry is experiencing uncertainty to develop business. Therefore, accuracy is needed in determining what policies the company will take. In order to make a profit and survive, companies need to apply the principle of conservatism. The continuity of the company is inseparable from the problem of financial distress which indicates the company's ability to survive. Several companies experiencing financial decline conditions will be declared delisted. Delisting is the delisting of a share listing on the Indonesia Stock Exchange if the listed shares have decreased within a certain period of time. Financial distress or financial difficulties occur before the company is declared bankrupt. Financial difficulties started when the company was unable to fulfill its obligations. This means that the company is experiencing financial difficulties to pay debt and capital to meet the company's operational costs (Fitri, R.Y. 2015).

Another factor that can influence conservative action is Operating Cash Flow (OCF). The report is Operating Cash Flow (OCF) or cash flow from operating activities, is a reference to find out whether the company's operational activities can be used to pay off loans, carry out company operations, pay dividends, and so on. If the Operating Cash Flow (OCF) is higher, it will cause future cash flows to be bigger so that it can attract investors to invest (Savitri, E. 2016: 75).

The Earnings Response Coefficient (ERC) is also thought to have an influence on the application of accounting conservatism principles. Real earnings information can be useful if the information can influence investors in making company decisions. However, profit has weaknesses in terms of manipulation and calculation assumptions. For that we need a way to predict company stock returns, namely the Earning Response Coefficient (Diantimala, 2008 in Natalia and Ratnadi, 2017).

From several previous studies, the authors found differences in the researched results of each of the variables mentioned above. The results of research conducted by Pratama et al (2016) show that the level of financial distress or financial distress has a significant negative effect on accounting conservatism. Noviantari and Ratnadi (2015) also state a similar thing, namely financial distress has a negative effect on accounting conservatism. Another case with research conducted by Zuhriyah (2017) which states that financial distress has a significant positive effect on accounting conservatism.

Research on the Operating Cash Flow (OCF) variable that has been carried out by several researchers also shows different results. Khairani and Africano's research (2017) shows that Operating Cash Flow (OCF) has no effect on accounting conservatism. It is different with research conducted by Suharni et al (2019) that Operating Cash Flow (OCF) has a significant effect on accounting conservatism.

Another variable that will be examined is the Earning Response Coefficient (ERC). Previous research conducted by Natalia and Ratnadi (2017) shows that conservatism has a negative effect on the Earning Response Coefficient. Meanwhile, the results of research conducted by Tania (2018) show that accounting conservatism has no effect on the Earning Response Coefficient.

Several previous studies have shown inconsistent results. In this study, the authors chose these variables because there are different results on the factors that influence the company in applying accounting conservatism. The difference from previous research is that there has not been research on the three independent variables, namely financial distress, Operating Cash Flow (OCF) and Earning Response Coefficient (ERC) on the dependent variable, namely accounting conservatism. This study also selects objects in the property and real estate sector companies because based on previous research, researchers tend to conduct research on companies in the manufacturing sector.

With these descriptions, the authors chose to conduct a study entitled "The Effect of Financial Distress, Operating Cash Flow, and Earning Response Coefficient on Accounting Conservatism (Empirical Study of Property and Real Estate Companies Listed on the Indonesia Stock Exchange 2014–2018)".

1.2. Problem's Formulation

1. Apakah Does financial distress have an influence on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014–2018 ?
2. Does Operating Cash Flow (OCF) have an influence on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018 ?
3. Does the Earning Response Coefficient (ERC) have an influence on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018 ?
4. Do financial distress, Operating Cash Flow (OCF), and Earning Response Coefficient (ERC) have an influence on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014–2018 ?

1.3. Research Purposes

1. To determine the effect of financial distress on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.
2. To determine the effect of Operating Cash Flow (OCF) on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014–2018.
3. To determine the effect of the Earning Response Coefficient (ERC) on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.
4. To determine the effect of financial distress, Operating Cash Flow (OCF), and Earning Response Coefficient (ERC) on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.

II. LITERATURE REVIEW

2.1. Review Of Previous Research Results

Table 2.1. Review Hasil-hasil Penelitian Terdahulu

Name (Year)	Research Title	Variable	Research Result
Rivandi and Ariska (2019)	The Effect of Capital Intensity, Dividend Payout Ratio and Financial Distress on Accounting Conservatism	X ₁ : capital intensity X ₂ : <i>dividend payout ratio</i> X ₃ : <i>financial distress</i> Y : accounting conservatism	1. Capital intensity has a positive effect on accounting conservatism. 2. Dividend payout ratio does not affect accounting conservatism. 3. Financial Distress has a negative effect on accounting conservatism.
Zuhriyah (2017)	IFRS Convergence, Leverage, Financial Distress, and Litigation in Relation to Accounting Conservatism	X ₁ : IFRS convergence X ₂ : <i>Leverage</i> X ₃ : <i>Financial Distress</i> X ₄ : <i>Litigation</i> Y : accounting conservatism	1. IFRS convergence has no effect on accounting conservatism. 2. Leverage affects accounting conservatism. 3. Financial Distress has a positive effect on accounting conservatism.

			4. Litigation risk affects accounting conservatism.
Suharni, <i>et al.</i> (2019)	The Effect of Number of Commissioners, Leverage, Profitability, Capital Intensity, Operating Cash Flow, and Company Size on Accounting Conservatism	X ₁ : Number of Commissioners X ₂ : Leverage X ₃ : Profitability X ₄ : Capital Intensity X ₅ : Operating Cash Flow X ₆ : Company Size Y : Accounting conservatism	1. The number of commissioners has no effect on accounting conservatism. 2. Leverage has no effect on accounting conservatism. Profitabilitas berpengaruh signifikan terhadap konservatisme akuntansi. 3. Capital intensity has no effect on accounting conservatism. 4. Operating Cash Flow has a significant effect on accounting conservatism. 5. Firm size has no effect on accounting conservatism.
Natalia and Ratnadi (2017)	The Effect of Accounting Conservatism and Leverage on the Earnings Response Coefficient	X ₁ : Accounting conservatism X ₂ : Leverage Y : Earning Response Coefficient	1. Accounting conservatism has a negative effect on the Earnings Response Coefficient. 2. Leverage has a negative effect on the Earnings Response Coefficient.
Geimechi and Khodabakhs hi (2015)	Factors Affecting The Level of Accounting Conservatism in The Financial Statements of The Listed Companies in Tehran Stock Exchange	X ₁ : Firm Size X ₂ : Leverage X ₃ : Discretionary accruals Y : Accounting conservatism	1. Firm size has no effect on accounting conservatism. 2. Leverage affects accounting conservatism. 3. AkruaI diskresioner tidak berpengaruh terhadap konservatisme akuntansi.
Kao and Sie (2016)	Accounting Conservatism Trends and Financial Distress: Considering the Endogeneity of The C-Score	X ₁ : Accounting conservatism Y : Financial Distress	Accounting conservatism affects financial distress.

2.2. Theoretical Basis

2.2.1. Accounting Conservatism

Savitri (2016) states that conservatism is a concept in terms of recognizing expenses and liabilities as quickly and accurately as possible even though there is uncertainty about the results, but only recognizing income and assets when they are sure they will be received. Based on the principle of conservatism, we must admit that things are actually in accordance with the circumstances. If there

is uncertainty about a loss, then we should tend to record a loss. It is different with uncertainty about profits, so we do not have to record profits.

2.2.2. Financial Distress

Marselah (2017) concluded that financial distress is a financial condition experienced by an entity where liquidity problems arise which tend to be temporary but can develop worse if conditions are not corrected immediately and can even result in business bankruptcy.

2.2.3. Operating Cash Flow

Harahap (2013: 261) in Ramli and Aditia (2017) reveals that Operating Cash Flow (OCF) is the effect of cash from transactions used to determine net income other than investing and financial activities, including cash receipts from sales of goods and services, receivables receivable from consumers, cash receipts from interest and dividends from interest payments to creditors and all payments outside of investing and financial activities.

2.2.4. Earning Response Coefficient

According to Scoot (2006: 132) in Ofeni (2016), the Earning Response Coefficient (ERC) is a market reaction to earnings information published by companies as seen from stock price movements around the date of publication of financial statements.

2.3. Relationship Between Research Variables

2.3.1. Relationship between Financial Distress and Accounting Conservatism

According to Fitri (2015) financial distress can encourage management to reduce the level of accounting conservatism. This is because management does not want its poor performance to be known by other parties with an interest in the company. If the company has a conservative accounting policy, it indicates that the company will show unfavorable numbers for the company itself.

2.3.2. Relationship Between Operating Cash Flow and Accounting Conservatism

Martani and Dini (2010) in Khairani and Africano (2017) reveal that the cash flow statement from Operating Cash Flow is an indicator to find out whether the company's operational activities can generate sufficient cash flow to pay off loans, maintain the company's operating ability, pay dividends or make investments. new. The higher the Operating Cash Flow, the better the company's performance. In addition, companies that apply the principle of conservatism can use Operating Cash Flow as a material to predict a higher Future Cash Flow compared to companies that apply the principle of aggressiveness in their financial reporting.

2.3.3. Relationship Between Earnings Response Coefficient and Accounting Conservatism

Another thing was conveyed by Tania (2018) regarding the Earning Response Coefficient which has a relationship with accounting conservatism. Financial reports that use the principle of conservatism will appear biased and cannot reflect the actual condition of the company. The more conservative, the less quality the profit. Unqualified earnings will result in a low earnings response coefficient or Earning Response Coefficient.

2.3.4. Relationship Between Financial Distress, Operating Cash Flow and Earning Response Coefficient of Accounting Conservatism

Conservatism is a cautious action against the company's uncertain financial condition. This uncertainty occurs, for example, if the company is experiencing financial difficulties, in this case it is referred to as financial distress. The company will apply conservatism to reduce and anticipate uncertain events.

The cash flow statement from operating activities can determine whether the company's operations can generate sufficient flows to finance operating activities, make investments and so on.

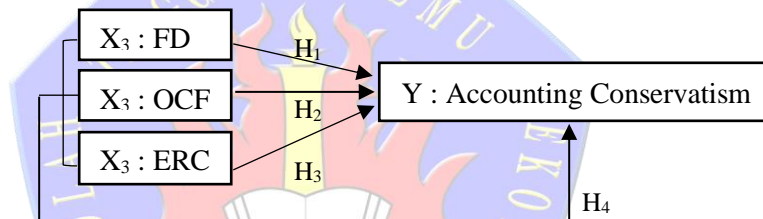
High Operating Cash Flow indicates that the company's performance is good. Companies that apply conservatism, operating cash flow can determine future cash flows that are greater than companies that are aggressive in their financial reporting. Therefore the company can attract investors if the resulting operating cash flow is higher. This makes the company even more conservative.

According to Ofeni (2016) Earning Response Coefficient (ERC) is the level of abnormal return of securities in responding to the components of the company's unexpected earnings. The earnings response coefficient can measure the sensitivity of the market to declare profit with the slope of the regression coefficient on abnormal returns and unexpected income. The positive response when financial reporting tends to be conservative is because it is caused by high risk reversal behavior of investors during inflation. So that the higher the application of conservatism in the company, the better the market reaction as reflected in the Earning Response Coefficient.

2.4. Hypothesis

- H₁ : It is suspected that Financial Distress has an influence on accounting conservatism.
- H₂ : It is suspected that Operating Cash Flow has an influence on accounting conservatism.
- H₃ : It is suspected that the Earning Response Coefficient has an influence on accounting conservatism.
- H₄ : It is suspected that Financial Distress, Operating Cash Flow, and Earning Response Coefficient has an influence on accounting conservatism.

2.5. Research Conceptual Framework



Picture 2.5. Research Conceptual Framework

III. RESEARCH METHOD

3.1. Research Strategic

The strategy in this study uses associative research, namely research conducted to determine the effect of two or more variables. While the form of research used is a form of quantitative research, namely research in which the data is obtained and analyzed in the form of numbers, starting from data collection, interpretation of the data and the appearance of the results.

3.2. Population and Sample

The population used property and real estate companies listed on the Indonesia Stock Exchange during the 2014-2018 period, as many as 49 companies. The author uses a purposive sampling technique because not all samples have the criteria that the author has determined. Purposive Sampling is a sampling technique with certain considerations. The criteria that have been determined in sample selection are as follows:

Table 3.2. Sample Selection Criteria

No	Description	Companies
1	Property and real estate companies listed on the Indonesia Stock Exchange during the period 2014–2018.	49
2	Property and real estate companies that did not publish a complete annual report during the 2014–2018 period.	(17)
3	Delisted property and real estate companies during the period 2014–2018.	0

4	Laporan keuangan perusahaan yang menggunakan mata uang selain Rupiah.	0
5	Property and real estate companies that suffered losses during the 2014-2018 period.	(8)
Total		24
Total Research Sample (5 years)		120

3.3. Data and Data Collection Method

The data used in this research is secondary data. According to Sugiyono (2014: 137) secondary data is a source that does not directly provide data to data collectors but through other people, third parties or through documents. The data in this study comes from the official website, namely the Indonesia Stock Exchange, by downloading the company's financial reports for the period 2014–2018. The data collection method in this research is the documentation method. Documentation is a way to collect secondary data from various sources, both personally and institutionally (Sanusi, 2014). The data collection techniques include library research and internet research.

3.4. Operationalization of Variables

3.4.1. Accounting Conservatism (Y)

The formula used by the author to calculate accounting conservatism according to Givoly and Hayn (2000) in Denniati (2017) is:

$$\text{CONACC} = \frac{\text{NI} + \text{DEP} - \text{CF}}{\text{RTA}} \times (-1)$$

Description:

CONACC = Accounting conservatism as measured by accrual basis
 NI = Net Income
 DEP = Depreciation
 CF = Cash Flow from operating activity
 RTA = Average of total assets

3.4.2. Financial Distress (X₁)

In this study, the value of X₁ was obtained from the theory put forward by Indrasari, et al. (2016), namely for non-manufacturing companies, the Z-Score discriminant function made by Altman is as follows:

$$Z = 6,56 X_1 + 3,26 X_2 + 6,72 X_3 + 1,05 X_4$$

Description:

Z = Bankruptcy Index
 X₁ = Working Capital (aset lancar – hutang lancar) / total assets
 X₂ = Retained Earning / total assets
 X₃ = EBIT / total assets
 X₄ = Market Value of Equity (MVE) / total liabilities

3.4.3. Operating Cash Flow (X₂)

In this study, the value of X₂ is obtained from Jayanti's (2016) theory which formulates cash flow measurements using cash flow returns on assets or Operating Cash Flow Ratio (OCF Ratio) is:

$$\text{OCF Ratio} = \frac{\text{cash flow from operating activity}}{\text{Total Assets}}$$

3.4.4. Earning Response Coefficient (X₃)

In this study, the value of X₃ is obtained from Denniati's (2017) theory which reveals how to calculate the Earning Response Coefficient (ERC) is:

1. Calculate Cumulative Abnormal Return (CAR)

Cumulative Abnormal Return (CAR) is the sum of daily abnormal returns during the event period. CAR is a proxy for share price or market reaction.

$$CAR_{it} = \sum AR_{it}$$

Description:

CAR_{it} = Cumulative Abnormal Return of company *i* during a certain period

AR_{it} = Abnormal Return of company *i* on day *t*

Abnormal returns are calculated using a market adjusted model or a market-adjusted model, namely:

$$AR_{it} = R_{it} - R_{mt}$$

Description:

AR_{it} = Abnormal return of firm *i* in event period *t*

R_{it} = Return of company *i* in event period *t*

R_{mt} = Return market in event period *t*

To obtain abnormal return data, you must first calculate daily stock returns and daily market returns.

➤ Company Daily Stock Return

Suwardjono (2014: 491) in Denniati (2017) states that the stock returns of each company can be calculated from the calculation of daily returns with a period of *t* = 1,2,3, ... etc. with the following formula:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

Description:

R_{it} = Return of company *i* in event period *t*

P_{it} = Closing price of shares on the *t*-day

P_{it-i} = The closing price of shares on the *t*-1 day

➤ Daily Market Returns

Hartono (2015) in Denniati (2017) states that the Indonesian Stock Exchange uses market returns in the form of the Composite Stock Price Index (IHSG) where the JCI is an index of price movements for shares in the capital market. Daily market returns are calculated by a formula:

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

Description:

R_{mt} = Daily market return

IHSG_t = The composite stock price index on day *t*

IHSG_{t-i} = The composite stock price index on day *t*-1

2. Calculate Unexpected Earnings (UE)

Suwardjono (2015) in Denniati (2017) reveals that Unexpected Earnings can be used as a representation of information in earnings before the announcement reaches the market. The EU is calculated by the following formula:

$$UE_{it} = \frac{E_{it} - E_{it-1}}{|E_{it-1}|}$$

Description:

UE_{it} = Unexpected earnings company *i* in period *t*

E_{it} = Accounting profit for company *i* in period *t*

E_{it-1} = Accounting profit for company *i* in period *t*

|E_{it-1}| = The absolute value of company *i* accounting profit in period *t*-1

3. Calculate Earning Response Coefficient (ERC)

According to Suwardjono (2014: 494) in Denniati (2017), the Earning Response Coefficient is obtained from the regression between the proxies of share prices and accounting profit. The Earning Response Coefficient is calculated by the following equation:

$$CAR_{it} = \beta_0 + \beta_1 UE_{it} + \varepsilon_{it}$$

Description:

CAR_{it} = Cumulative Abnormal Return company i

UE_{it} = Unexpected earnings

β_1 = Earning Response Coefficient

ε_{it} = The error component in the model for firm i in period t

Table 3.4. Operasionalisasi Variabel

Variabel	Pengukuran	Skala
Konservatisme Akuntansi	$CONACC = \frac{NI + DEP - CF}{RTA} \times (-1)$	Rasio
Financial Distress	$Z = 6,56 X_1 + 3,26 X_2 + 6,72 X_3 + 1,05 X_4$	Rasio
Operating Cash Flow	$OCF \text{ Ratio} = \frac{\text{Arus Kas dari aktivitas operasi}}{\text{Total Aset}}$	Rasio
Earning Response Coefficient	$CAR_{it} = \beta_0 + \beta_1 UE_{it} + \varepsilon_{it}$	Rasio

3.5. Data Analysis Method

3.5.1. Descriptive Statistic Analysis

In the Eviews software version 10, descriptive statistics can show the average value, middle value, highest value, lowest value and standard deviation value.

3.5.2. Determination of Regression Estimation Model

In Eviews version 10, there are three regression estimation models with panel data, including: Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). The test methods for determining the regression model include: Chow test, Hausman test and Lagrange Multiplier test.

3.5.3. Classic Assumption Test

3.5.3.1. Normality Test

The normality test that can be used on Eviews version 10 is Jarque Bera test. Criteria for passing the normality test according to Winarno (2017: 5.42), include:

- If the Jarque-Bera value is not significant (smaller than 2).
- If the probability value is bigger than alpha (0,05).

3.5.3.2. Autokorelation Test

Autocorrelation test can ben done with the Durbin Watson (DW) test (Widarjono, 2018: 140). The following are the Durbin-Watson test criteria:

Table 3.5.3.2. Durbin-Watson Test Criteria

d Statistic Value	Result
$0 < d < d_L$	Positive Autocorrelation
$d_L < d < d_U$	No Decision
$d_U < d < 4 - d_U$	There is no positive / negative autocorrelation
$4 - d_U < d < 4 - d_L$	No Decision
$4 - d_L < d < 4$	Negative Autocorrelation

Sumber: Widarjono (2018: 141)

3.5.3.3. Multicollinearity Test

Multicollinearity test is a test to assess the correlation between independent variables in the regression model. The writes uses the Variance Inflation Factor (VIF) test. If the VIF value < 10 there will no multicollinearity.

3.5.3.4. Heteroskedasticity Test

Heteroskedasticity test is a test used to assess whether there is a variance in residual variance for all observations in regression model. If p-value > alpha (0,05) then accept H₀.

H₀ = Homokedasticity

H₁ = Heterokedasticity

3.5.4. Multiple Regression Test

Multiple regression is a regression model involving more than one independent variable. Multiple regression analysis aims to determine the effect of two or more independent variables on the dependent variable. Regression equations for 3 independent variables include:

$$KONS = \alpha + \beta_1 FD + \beta_2 OCF + \beta_3 ERC + \epsilon$$

Description:

KONS = Accounting conservatism

FD = Financial Distress

OCF = Operating Cash Flow

ERC = Earning Response Coefficient

α = Constanta

β = Regression coefficient

ϵ = Error

3.5.5. Hypothesis Testing

3.5.5.1. t Statistic Test

The t statistical test is conducted to test the partial effect of the independent variable on the dependent variable, assuming the other variables are constant.

H₀ rejected, if $t_{count} > t_{table}$ or probability value $t < 0,05$

H₀ accepted, if $t_{count} < t_{table}$ or probability value $t > 0,05$

3.5.5.2. F Statistic Test

F statistic test is used to test all independent variables included in the model have a simultaneously affects on the dependent variable (Mulyono, 2018: 113).

H₀ rejected, if $F_{count} > F_{table}$ or probability value $F < 0,05$

H₀ accepted, if $F_{count} < F_{table}$ or probability value $F > 0,05$

3.5.5.3. Coefficient of Determination (R²)

R² aim to measure the ability of the model in explaining the variation of the dependent variable. The coefficient of determination ranges from zero to one. If value of R² closer to 1. It shows the stronger influence of independent variables on the dependent variable.

IV. THE RESULT AND DSICUSSION

4.1. The Result of Deskriptive Statistic Analysis

Table 4.1. The Result of Statistic Descriptive

Information	CONACC	FD	OCF	ERC
Mean	-0.045164	5.232241	0.024314	0.606829
Median	-0.039254	4.697895	0.014594	0.022211
Maximum	0.111290	19.67201	0.288459	31.27710

Minimum	-0.523570	0.586877	-0.276881	-20.02641
Std. Dev.	0.075866	3.318541	0.074518	5.591915
Observation	120	120	120	120

Source: Eviews Versi 10, 2020 (Data Processed)

4.2. The Results of Determination of Regression Estimation Model

4.2.1. The Result of Chow Test

H_0 = Common Effect Model (CEM)

H_0 = Fixed Effect Model (FEM)

If probability cross-section F value smaller than 0,05 then H_0 rejected. The results of the chow test as follows:

Table 4.2.1. The Result of Chow Test

Effects Test	Prob.
Cross-section chi-square	0,0000

Source: Eviews Versi 10, 2020 (Data Processed)

From the table above shows that the probability in the Chi-square cross-section is 0.0000. This means that the p value $< \alpha$ (significance level of 0.05) then H_0 is rejected so that the most appropriate model to use is the Fixed Effect Model (FEM).

4.2.2. The Result of Hausman Test

H_0 = Random Effect Model

H_0 = Fixed Effect Model

If probability cross section random value $> 0,05$ the H_0 accepted. The results of the hausman test as follows:

Table 4.2.2. The Result of Hausman Test

Test Summary	Prob.
Cross-section random	0,0000

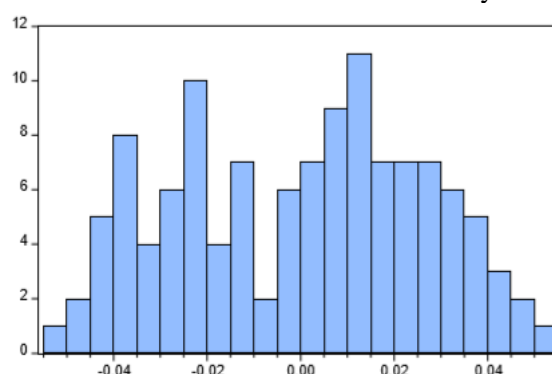
Source: Eviews Versi 10, 2020 (Data Processed)

From the table above it is known that after performing the Hausman Test, the probability value is 0.0000. This means that the p value $< \alpha$ (significance level of 0.05) then H_0 is rejected so that the most appropriate model to use is the Fixed Effect Model (FEM).

4.2.3. The Result of Classic Assumption Test

4.2.3.1. The Result of Normality Test

Table 4.2.3.1. The Result of Normality Test



Jarque-Bera	5,972300
Prob. Jarque-Bera	0,050481

Source: Eviews Versi 10, 2020 (Data Processed)

The results of the normality test indicate the Jarque-Bera probability value of 0.050481 is greater than the real level value of 0.05. So it can be concluded that the research data is normally distributed.

4.2.3.2. The Result of Autocorrelation Test

Based on the results of the selection of the most effective regression model for this study is FEM so the Durbin-Watson test results obtained are:

Table 4.2.3.2. The Result of Autocorrelation Test

dU	<	d	<	4 - dU	There is no positive or negative autocorrelation
1,753	<	2,047	<	2,247	

Source: Eviews Versi 10, 2020 (Data Processed)

4.2.3.3. The Result of Multicollinearity Test

The multicollinearity test can be used with the Variance Inflation Factor (VIF) method. The multicollinearity test results are as follows:

Table 4.2.3.3. The Result of Multicollinearity Test

Independent Variable	VIF	Description	
X ₁	FD	1.265410	There is no multicollinearity problems
X ₂	OCF	1.208885	There is no multicollinearity problems
X ₃	ERC	1.068867	There is no multicollinearity problems

Source: Eviews Versi 10, 2020 (Data Processed)

4.2.3.4. The Result of Heteroscedasticity Test

Table 4.2.3.4. The Result of Heteroscedasticity Test

Heteroskedasticity Test: Glejser			
F-statistic	14.28630	Prob. F (3.116)	0.066
Obs*R-squared	21.97497	Prob. Chi-square(3)	0.075
Scaled explained SS	27.62305	Prob. Chi-Square(3)	0.055

Source: Eviews Versi 10, 2020 (Data Processed)

Based on the results of the heteroscedasticity test, the Chi-Square probability value of 0.075 is greater than the real level value of 0.05. So it can be concluded that there is no heteroscedasticity problem in this regression model.

4.2.4. The Result of Multiple Regression Analysis

Table 4.2.4. Multiple Regression Analysis of Fixed Effect Model

Dependen Variable: Konservatisme Akuntansi (CONACC)		
Sample: 2014-2018		
Observations: 120		
Variable	Coefficient	Std. Error
C	0.047143	0,005125
FD	-0,014885	0,002930
OCF	0.969089	0,034736
ERC	0,000151	0,000083

Source: Eviews Versi 10, 2020 (Data Processed)

Based on the calculation results in the table above, the multiple regression equation is obtained as follows:

$$CONACC = 0,047143 - 0,014885 FD + 0,969089 OCF + 0,000151 ERC + \epsilon$$

4.2.5. The Result of Hypothesis Testing

4.2.5.1. The Result of t Statistic Test

Table 4.2.5.1. The Result of t Statistic Test

Variabel	t-statistic	Prob.	α	Result
FD	-5,079325	0,0000	0,05	H ₁ accepted
FD		0,0000	0,10	H ₁ accepted
OCF	27,89885	0,0000	0,05	H ₁ accepted
OCF		0,0000	0,10	H ₁ accepted
ERC	1,823952	0,0714	0,05	Not significant
ERC		0,0714	0,10	Significant

Source: Eviews Versi 10, 2020 (Data Processed)

Based on the results of these calculations, it can be seen that the t table used in this study is 1,98063 which is obtained based on the real level value of 0,05 and the degree of freedom (df) of 116 which is obtained from the number of observations minus the number of research variables or $df = 120 - 4 = 116$.

4.2.5.2. The Result of F Statistic Test

Table 4.2.5.2. The Result of F Statistic Test

Dependen Variable: Accounting Conservatism			
Sample: 2014-2018			
Observations: 120			
F-statistic	Prob.	α	Decided
37,75593	0,000000	0,05	H ₄ accepted

Source: Eviews Versi 10, 2020 (Data Processed)

Based on table 4.14, F_{table} used is 2,68 obtained from:

$$df_1 = k - 1 = 4 - 1 = 3$$

$$df_2 = n - k = 120 - 4 = 116$$

The results of the F statistical test show that the F count value is 37,75593 > the F_{table} value is 2,68 and the F probability value is 0,000000 < the real level value is 0,05. Then it can be concluded that H_0 is rejected and H_4 is accepted.

4.2.5.3. The Result of Determination Coefficient (R²)

Table 4.2.5.3. The Result of Determination Coefficient (R²)

R-squared	0,913461
Adjusted R-squared	0,889267

Source: Eviews Versi 10, 2020 (Data Processed)

Based on these results, the contribution of financial distress, Operating Cash Flow, and Earning Response Coefficient to accounting conservatism is 88,93%.

V. CONCLUSION AND SUGGESTION

5.1. Conclusion

1. The partial test results show that financial distress has a significant negative effect on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.
2. The partial test results show that operating cash flow has a significant positive effect on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.

3. The partial test results show that the earning response coefficient has no effect on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.
4. The simultaneous test results show that the financial distress, oprating cash flow and earning response coefficient variables simultaneously have a significant effect on accounting conservatism in property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.

5.2. Suggestion

1. For fruther researchers
 - a) Further research can perform sampling methods other than purposive sampling such as random sampling in order to obtain a larger number of samples.
 - b) Future studies may add other independent variables to reveal a greater influence on accounting conservatism that has not been used in this study.
 - c) Further research is expected to use populations in other sectors so that the number of samples used is greater, for example in the mining sector or all public companies in Indonesia.
2. For Companies
Small companies should be more conservative because investors will react to small companies if they are more conservative.
3. For academics
Researchers and readers are expected to be able to continue research related to the effect of Financial Distress, Operating Cash Flow, and Earning Response Coefficient on accounting conservatism so that it is beneficial for other interested parties.

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